Interim Financial Report

Nine-month period as of September 30, 2016

Operational and Financial Review

Financial KPIs

CHF million	1.1 - 30.9.2016	1.1 - 30.9.2015	Change (%)	Q3 2016	Q3 2015	Change (%)
Revenue						
Mobile services	932	966	(3.5)	324	325	(0.2)
Thereof mobile postpaid	*575*	*583*	*(1.3)*	*201*	*201*	(0.1)
Thereof mobile prepaid	*125*	*151*	*(17.4)*	*41*	*50*	(18.1)
Thereof mobile hardware	*174*	*181*	*(3.8)*	*62*	*55*	*13.4*
Landline services (incl. voice)	305	349	(12.6)	100	113	(11.2)
Thereof landline voice	*114*	*129*	*(11.1)*	*37*	*41*	*(10.3)*
Thereof hubbing	*93*	*106*	*(12.1)*	*32*	*34*	*(4.1)*
Landline internet and TV	158	149	6.5	54	50	8.6
Total revenue	**1,396**	**1,464**	**(4.6)**	**478**	**487**	**(1.9)**
Service revenue excl. hubbing & mobile hardware	1,128	1,177	(4.1)	384	399	(3.8)
Gross profit	**891**	**935**	**(4.7)**	**306**	**317**	**(3.5)**
% margin	63.9%	63.9%		64.0%	65.0%	
% margin (excl. hubbing & hardware revenue)	79.0%	79.5%		79.7%	79.5%	
EBITDA	**444**	**450**	**(1.5)**	**156**	**164**	**(4.6)**
EBITDA adjusted	**452**	**461**	**(2.0)**	**162**	**169**	**(3.8)**
% margin	32.4%	31.5%		33.9%	34.6%	
% margin (excl. hubbing & hardware revenue)	40.0%	39.2%		42.2%	42.2%	
Net income	**39**	**(138)**	**(128.0)**	**22**	**14**	**52.0**
Cash flow						
Reported EBITDA	444	450	(1.5)	156	164	(4.6)
Change in NWC (incl. factoring)	(61)	(54)	11.4	7	1	737.4
Net interest	(40)	(86)	(53.1)	(15)	(17)	(9.1)
Tax	(28)	(30)	(7.1)	(12)	(15)	(19.6)
CAPEX	(143)	(177)	(19.3)	(59)	(72)	(18.9)
Oher financing activities	(5)	(5)	(0.3)	(4)	(5)	(16.5)
Equity free cash flow	**166**	**97**	**71.5**	**73**	**56**	**31.5**
Other [1]	(251)	(17)	1,356.2	(106)	(1)	18,350.7
Total cash flow	**(85)**	**80**	**(206.2)**	**(33)**	**55**	**(159.2)**
Net debt	**1,718**	**1,684**	**2.0**	**1,718**	**1,684**	**2.0**
Net debt / adj. EBITDA (LTM)	2.8x	2.7x		2.8x	2.7x	

[1] including payment of 2nd installment of mobile license in Q2 2015, dividend payment of CHF 135 million in Q2 2016 as well as payment of 3rd and final installment of mobile license in Q3 2016 of CHF 108 million.

Operational KPIs

	1.1 - 30.9.2016	1.1 - 30.9.2015	Change (%)	Q3 2016	Q3 2015	Change (%)
ARPU (CHF)						
Mobile blended (excl. installment)	**32.4**	**33.5**	**(3.3)**	**33.4**	**34.2**	**(2.3)**
Mobile blended (incl. installment)	37.5	36.8	2.0	38.7	38.1	1.5
Postpaid (excl. installment)	44.8	48.2	(6.9)	46.2	48.9	(5.6)
Thereof origination	*39.5*	*42.9*	*(8.1)*	*40.9*	*43.8*	*(6.5)*
Thereof termination	*5.4*	*5.2*	*2.7*	*5.2*	*5.1*	*2.3*
Postpaid (incl. installment)	53.6	54.2	(1.1)	54.9	55.9	(1.8)
Prepaid	14.2	15.4	(7.8)	14.2	15.4	(7.9)
Landline blended	**69.4**	**72.2**	**(3.8)**	**68.5**	**71.3**	**(3.9)**
Retail Voice	31.2	35.4	(11.8)	29.9	34.2	(12.6)
Internet	35.7	37.1	(3.6)	35.7	36.6	(2.5)
Internet and IPTV	45.8	45.7	0.1	46.1	45.7	0.8
Subscription base (in '000)						
Mobile						
Postpaid	1,458.8	1,379.0	5.8			
Primary	1,224.4	1,171.8	4.5			
Secondary	234.4	207.1	13.2			
Prepaid (3-month rule)	947.2	1,060.8	(10.7)			
Prepaid (12 month rule)	1,517.5	1,737.5	(12.7)			
Landline						
Retail voice	411.5	393.8	4.5			
Internet	363.4	336.2	8.1			
Thereof coupled to IPTV	*151.9*	*126.8*	*19.8*			
Thereof without IPTV	*211.5*	*209.4*	*1.0*			
LTM Churn (%)						
Postpaid	14.1	14.0	0.9			
Landline	12.3	14.3	(13.6)			
Employees						
FTEs	1,698	1,724	(1.5)			
Apprentices	109	108	0.9			

Financial Review

Revenue

The Sunrise Group financial results for the nine-month period ended September 30, 2016 showed a decrease in total revenue of 4.6% driven mainly by lower mobile and landline services revenue.

Mobile services

Revenue in mobile services declined by 3.5% to CHF 932 million for the nine-month period ended September 30, 2016. Excluding low margin mobile hardware revenue, the decrease was 3.4%.

While the postpaid subscription base increased by 5.8% year-over-year, postpaid revenue decreased in the first nine months in 2016 due to lower average revenue per user (ARPU) (excl. handset installment). The postpaid ARPU reduction (excl. handset installment) is mainly attributable to the Freedom mobile handset unwind, i.e., customers migrating from older subsidized rate plans to the Freedom offering, which is effectively a SIM only plan. Further negative ARPU impacts included lowered roaming prices and value effects from changing mix and promotions. The postpaid subscription base totaled 1,459 thousand subscribers as of September 30, 2016 (September 30, 2015: 1,379 thousand). The base increase was driven by prepaid to postpaid migration, improved network quality and customer service as well as competitive flat-rate and mobile data plans. The continuous growth of mobile data traffic is reflected in the increase of secondary subscriptions (e.g. data-SIM) used by customers in addition to their primary subscriptions.

Mobile prepaid revenue declined year-over-year due to a decreasing subscription base and lower ARPU. The ARPU decrease of 7.8% (CHF 1.2) year-over-year is attributable to high-value prepaid customers migrating to postpaid offerings, increased use of prepaid options and ongoing usage cannibalization by OTT (Over The Top) services. The prepaid subscription base shrank year-over-year by 10.7% to 947 thousand subscribers as of September 30, 2016. Ongoing pre- to postpaid migrations are driven by the emergence of postpaid flat rate plans providing similar cost control like prepaid, flexibility of the Freedom portfolio, and by demand for high value smart phone instalment plans, which are not available in prepaid.

Hardware revenue depends on handset innovation and decreased by 3.8% to CHF 174 million for the nine-month period ended September 30, 2016.

Landline services

Landline service revenue decreased by 12.6% to CHF 305 million during the first nine months in 2016, mainly driven by lower retail voice, integration and hubbing revenue.

Lower retail voice revenue is mainly impacted by an ARPU decrease of 11.8% and only partially compensated by a 4.5% increase of subscriptions to 412 thousand. Fixed-to-mobile substitution, increased penetration of rate plans including voice flat rates and increased use of OTT services impacted the retail voice ARPU negatively.

The decrease of lower margin integration revenue is mainly related to a product transition phase while an increased focus on profitability impacted hubbing revenue negativly.

Landline internet and TV

Internet and TV revenue increased by 6.5% to CHF 158 million for the nine-month period ended September 30, 2016.

The total internet subscription base increased by 8.1% year-over-year to 363 thousand subscriptions. Main drivers for the increase include a competitive product offering with an attractive pricing alongside a strong IPTV product. The IPTV product can be purchased alongside internet service and increased its customer base by 19.8% year-over-year to 152 thousand subscribers. The revenue increase was also supported by a stabilization of the internet and IPTV ARPU.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold decreased proportionally to the revenue decline and totaled CHF 504 million for the nine-month period ended September 30, 2016. While higher international termination rates had a negative impact on gross margins since Q4'15, their impact was offset by various mix effects resulting in a stable gross margin of Sunrise YoY.

Adjusted EBITDA

Adjusted EBITDA for the first nine months in 2016 amounted to CHF 452 million and was CHF 8 million higher than the reported EBITDA. This represents a decrease of CHF 9 million compared to adjusted EBITDA of the same period in 2015. The table below shows one-time adjustments from reported EBITDA to adjusted EBITDA for the nine-month period ended September 30, 2016 as well as the same period in 2015.

Overview adjustments to reported EBITDA

in CHF million	1.1 - 30.09.2016	1.1 - 30.09.2015
Reported EBITDA	**444**	**450**
Prior-year-related events	(1)	(3)
Non recurring and/or non operating events	8	11
thereof restructuring effect, net	4	3
Costs related to share-based payment	1	3
Adjusted EBITDA	**452**	**461**

Reported EBITDA

The Group generated an EBITDA of CHF 444 million for the nine-month period ended September 30, 2016, a year-over-year decrease of CHF 7 million, or 1.5%, from CHF 450 million for the nine-month period ended September 30, 2015. EBITDA developed better year-over-year than revenue, which was supported by various savings including the organizational streamlining in September 2015.

Other operating expenses

In the first nine months in 2016 other operating expenses decreased by CHF 27 million, or 8.5%, from CHF 312 million to CHF 285 million year-over-year, primarily attributable to various cost efficiency measures, including year-over-year sourcing optimizations.

Wages, salaries and pension costs

Wages, salaries and pension costs totaled CHF 167 million for the nine-month period ended September 30, 2016, a year-over-year increase of 4.8%. The recording of a CHF 16.4 million gain related to the curtailment effect of IAS 19 due to the organizational streamlining in September 2015 lowered the total expenses in 2015 significantly. Without the curtailment effect from prior year, total expenses would have decreased by CHF 8.7 million supported by the organizational streamlining in September 2015.

Although the pension fund of Sunrise Communications AG is overfunded by 14% as of December 31, 2015, according to Swiss GAAP FER 26, the Group reports a net pension liability of CHF 156 million in its condensed consolidated interim financial statements as of September 30, 2016. The different results are driven by differences in valuation methods; Swiss GAAP FER 26 prescribes a static valuation method whereas IFRS (IAS 19) requires the use of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered a current cash liability based on current facts and circumstances.

The increase of CHF 38 million in the pension liability from CHF 115 million as of December 31, 2015 to CHF 153 million is mainly due to the higher amount of the actuarial loss (9 months 2016: CHF 34 million). A significant decrease of the discount rate from 0.83% to 0.25% during 2016 resulted in a financial assumption loss of CHF 44 million which was partially offset by a positive return on plan assets of CHF 11 million.

Other income

Other income decreased by CHF 2 million in 2016 compared to the same nine months in prior year. This is mainly attributable to lower early termination fees in the amount of CHF 2 million.

Other expenses

Other expenses decreased by CHF 21 million due to the recording of a provision related to restructuring expenses of CHF 19.7 million in September 2015.

Net income

The Group reported a net income of CHF 39 million for the nine-month period ended September 30, 2016, a year-over-year improvement of CHF 177 million from a net loss of CHF 138 million for prior year period. Lower financial expenses following the debt refinancing supported the net income in 2016 whereas in 2015 the IPO and refinancing transactions related expenses of CHF 157 million led to a loss for the first nine months in 2015.

Depreciation and amortization

Depreciation and amortization are CHF 11 million lower than in prior period. As of September 30, 2016, depreciation and amortization totaled CHF 344 million, thereof CHF 96 million related to the amortization of purchased intangibles (CHF 114 million in 2015). Those intangibles, created in 2010 in the amount of CHF 1,477 million and amortized over a maximum of 10 years, are related to the acquisition of Sunrise by MCG in October 2010.

Depreciation and impairment losses remained broadly flat compared to the nine-month period ended September 30, 2015.

Net financial items

Net financial items decreased by CHF 177 million to CHF 45 million for the nine-month period as of September 30, 2016 and mainly consist of interest expenses and amortization of transaction costs related to the term loan B and senior secured notes. The first nine months in 2015 were negatively impacted by one-off costs related to switching to lower financing cost, IPO costs, early termination fees for bonds and EUR/CHF hedging instruments and certain other non-cash balance sheet items. Following this refinancing transaction the weighted average cost of debt was reduced from 7.1% to 2.4% per annum.

Income taxes

For 2016 income taxes (CHF 16 million) consist of CHF 32 million expenses related to current income taxes and an income of CHF 16 million related to the change of deferred taxes. The higher tax expenses are mainly due to the fact that the taxable income in 2016 increased significantly compared to prior period.

Net working capital

Net working capital includes current assets and liabilities as well as non-current prepaid expenses, Freedom receivables and deferred income. Changes in trade and other payables related to the mobile license and non-cash capital expenditures related to IRUs are excluded.

For the nine-month period ending September 30, 2016 the net cash outflow totaled CHF 61 million. Thereof, the main outflows are attributable to changes in trade and other payables (CHF 47 million) driven by lower Capex and changes in payment conditions as well as changes in other items (CHF 22 million) including payments of prepaid leases, deferred income and accrued bonus.

Cash flow

Cash and cash equivalents totaled CHF 160 million as of September 30, 2016, a decrease of CHF 84 million compared to the cash position held as of December 31, 2015. The decrease is mainly driven by the payment of the dividend of CHF 135 million to the shareholders of SCG for the financial year 2015 in April and well as the early payment of the 3rd and final installment for the mobile license spectrum awarded by the Federal Communications Commission (ComCom) in the amount of CHF 108 million on July 20, 2016. The first nine months in 2015 experienced an increase in cash of CHF 80 million due to the positive impact of the IPO / debt refinancing on the cash flow from financing activities with no dividend payment in 2015 and a payment for the 2nd installment for the mobile license of CHF 105 million.

The net cash impact related to factoring of handset receivables for the nine-month period ended September 30, 2016 was minus CHF 1 million. As the negative impact on net working capital due to the freedom hardware sales has weakened, Sunrise did not enter into any additional factoring transactions in Q3 2016.

Cash flow from operating activities

The year-over-year increase of CHF 28 million in the first nine months in 2016, is primarily attributable to lower interest charges related to the IPO and refinancing transactions in Q1 2015. This was partially offset by a CHF 6 million higher outflow from net working capital. Compared to prior year period outflow from changes in trade and other payables increased by CHF 18 million and was only partially offset by a positive change in trade and other receivables of CHF 13 million due to hardware receivable no longer negatively impacting the development.

Cash flow used in investing activities

Investments in tangible and intangible assets for the nine-month period ended September 30, 2016 amounted to CHF 143 million. This represents a decrease of CHF 34 million compared to the prior year period and is in line with the Capex guidance for 2016.

Cash flow used in financing activities

Following the IPO in February 2015, the cash flow used in financing activities in the first nine months in 2015 was primarily affected by the proceeds from the IPO and the refinancing transactions, the redemption and settlement of all existing debt and derivative instruments as well as the payment of the 2nd installment of the mobile license. This resulted in a negative cash flow of financing activities of CHF 27 million in the first nine months in 2015. In 2016 the payment of CHF 135 million dividend to the shareholders of SCG, the payment of the 3rd and final installment of the mobile license of CHF 108 million together with the repayment of capital leases and other financing activities of 10 million led to a negative cash flow from financing activities of CHF 254 million.

Net debt

The Group's consolidated debt position – consisting of a term loan B facility, senior secured notes and capital leases – amounted to CHF 1,853 million (nominal value: CHF 1,860 million), of which CHF 7 million is expected to be paid within 12 months. Net debt at nominal value totaled CHF 1,718 million as of September 30, 2016, resulting in a net debt to EBITDA leverage ratio of 2.8x (December 31, 2015: 2.6x).

Dividend and distribution policy

At the Annual General Meeting on April 15, 2016, the payment of an ordinary dividend from statutory reserves from capital contribution in the total amount of CHF 135 million (CHF 3 per share) in respect to the 2015 financial year was approved. The dividend payment was made on April 21, 2016.

Sunrise reiterates its dividend policy of paying out at least 65 % of equity free cash flows, until the company has reached its net debt / EBITDA leverage target of 2.5×. Once this threshold is reached, cash in excess of 65 % will be used for dividends, share buybacks or further deleveraging, as appropriate at that time.

The accounting treatment of mobile hardware sales under the Freedom proposition has a negative impact on net working capital as it increases the receivable balance. In order to minimize this negative impact, Sunrise currently includes the cash flow generated by monetization of freedom hardware receivables under the factoring agreement in the definition of equity free cash flow. Sunrise expects the negative impact on net working capital to cease during 2017 and therefore intends to exclude such cash flows from the definition of equity free cash flow from 2017.

Risks

Overview

Sunrise operates a centralized risk management system that distinguishes between strategic and operating risks. Competition, network performance and maintenance, changes in regulation and market acceptance of newly launched products are the main risks and uncertainties the Group is facing. All identified risks are quantified (according to their realization probability and impact) and tracked on a risk schedule. This risk schedule is subject to an annually recurring detailed discussion process among the Group's Board of Directors, the last of which was performed in the 4th quarter of 2015. The key risks identified are as follows:

Market competition

Price erosion and a further move by customers toward bundle plans that tend to offer more value for the same price could lead to a reduction in revenue. Additionally, over-the-top services are cannibalizing international call and roaming voice revenue. Sunrise actively monitors market developments and offers attractive bundles with flat rate components to cover customer's needs comprehensively.

International termination costs and revenue

The fact that EU regulations do not apply to Swiss operators has led certain operators in the EU to increase the termination rates charged to Swiss operators for voice traffic originating in Switzerland, leading to a higher cost of goods sold for Sunrise. Pricing with EU operators is the subject of ongoing negotiations and arbitration.

Business continuity and information security

Telecom services are becoming more and more complex and are thereby heavily dependent on highly sophisticated technological infrastructures. Software or hardware failure, human error, viruses or hacking can decrease service quality or, in the worst case scenario, lead to system outages. The certification of the Sunrise Information Security Management System in accordance with the ISO 27001 standard, along with the Sunrise business continuity management plan, ensures that Sunrise services meet the standards that customers demand.

The Group is exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. A detailed description of the financial risks is given in Note 18 to the condensed consolidated interim financial statements of the Group.

Additional Disclosure

Material affiliate transactions

Change in Board of Directors of subsidiaries in Luxembourg

As of August 2016 Dominik Rubli, Uwe Schiller and Claude Crauser replace André Krause, Libor Voncina and Emanuela Brero as members of the Board of Directors of Mobile Challenger Intermediate Group S.A., Sunrise Communications Holdings S.A., Sunrise Communications International S.A. and Syklight S.à r.l.

Material contractual arrangements

In September, Sunrise and Huwai signed a five years agreement to outsource its IT Operations. The scope includes all IT based services. IT Strategy, Project Management and Development will remain in-house. As a consequence 31 Sunrise employee will join Huawei as of Novemer 2016. The staff committee and the Syndicom union have been working closely with the project team to ensure that that the interests of the employees involved are taken into consideration.

Furthermore Sunrise and Huawei Technologies Switzerland AG have renewed their partnership to continuously improve the network with the latest technologies and to strengthen the customer experience going forward.

Certain other contractual commitments

Total contractual and purchase commitments as of September 30, 2016, amounted to CHF 87 million consisting of future investments in property, plant and equipment and intangible assets.

Credit ratings

As of September 30, 2016, the corporate family rating for Sunrise Communications Holding S.A., 100 % indirectly owned by Sunrise Communications Group AG, by the credit rating agencies Fitch, Moody’s and Standard & Poor’s (S&P) is unchanged at BB+, Ba2 and BB+, respectively. In addition, the notes and term loan facilities are still rated BBB- by Fitch, Ba2 by Moody’s and BB+ by S&P.

Acquisitions, disposals and recapitalization

No material acquisitions, disposals or recapitalization occurred in the nine-month period ended September 30, 2016.

Material develop-ments after the balance sheet date

Change in mobile termination rates

Sunrise, Salt and Swisscom have negotiated lower mobile termination rates (MTR) with each other. These new rates will be effective as of January 1, 2017 (Sunrise MTR until December 31, 2016: Rp 7.35 / min, for 2017: Rp. 4.30 / min, 2018: Rp. 3.90. / min, 2019: Rp. 3.50 /min). The lowered national mobile termination rates should also support renegotiations of international mobile termination rates.

Reductions in mobile termination rates have no direct impact on customer tariffs, since both revenue and costs of mobile operators are reduced. Therefore, the effect of the decrease in mobile termination rates is largely offset on gross profit level. On revenue level, the reduced mobile termination rates lead to an isolated effect of -2% to -3%.

Research and development

Sunrise is not investing in research and development itself but rather is partnering with its suppliers in order to benefit from their experience and know-how.

Outlook

Guidance

The guidance for 2016 remains unchanged.

Revenue for the financial year 2016 is expected to range from CHF 1,890 million to CHF 1,930 million. Adjusted EBITDA is expected to be between CHF 600 million and CHF 620 million. Capital expenditure guidance is reiterated at between CHF 220 million and CHF 230 million. Cash taxes are expected to range between CHF 45 million and CHF 50 million.

Sunrise reiterates its dividend pay-out guidance of at least 65 % of equity free cash flow. Upon meeting its guidance, Sunrise expects to propose a dividend to the AGM for the financial year 2016 in the range of CHF 3.24 to CHF 3.36 per share to be paid from reserves from capital contributions.

Condensed Consolidated Interim Financial Statements (unaudited)

Sunrise Communications Group AG

Condensed Consolidated Interim Statements of Income

CHFk	Note	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	**5,6**	**1,395,712**	**1,463,637**	**478,230**	**487,388**
Transmission costs and cost of goods sold		(504,236)	(528,308)	(172,353)	(170,355)
Other operating expenses		(285,430)	(312,000)	(91,867)	(95,171)
Wages, salaries and pension costs	7	(167,416)	(159,724)	(59,694)	(39,654)
Other income	8	5,453	7,851	2,027	2,063
Other expenses	8	(461)	(21,294)	(26)	(20,417)
Income before depreciation and amortization, net financial items and income taxes		**443,622**	**450,162**	**156,317**	**163,854**
Amortization		(186,975)	(195,258)	(62,070)	(66,184)
Depreciation and impairment losses		(157,014)	(159,454)	(50,404)	(60,016)
Operating income		**99,633**	**95,450**	**43,843**	**37,654**
Foreign currency gains, net		929	220,432	574	471
Financial income		34	97,934	34	1
Financial expenses		(45,675)	(540,172)	(14,932)	(18,061)
Net financial items	**9**	**(44,712)**	**(221,806)**	**(14,324)**	**(17,589)**
Income / (loss) before income taxes		**54,921**	**(126,356)**	**29,519**	**20,065**
Income taxes		(16,214)	(11,740)	(7,726)	(5,731)
Net income / (loss)		**38,707**	**(138,096)**	**21,793**	**14,334**
Net income / (loss) attributable to equity holders of the parent company		**38,707**	**(138,096)**	**21,793**	**14,334**
Basic and diluted earnings / (loss) per share (in CHF)	**10**	**0.86**	**(3.26)**	**0.48**	**0.32**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Comprehensive Income

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
	Unaudited	Unaudited	Unaudited	Unaudited
Net income / (loss)	**38,707**	**(138,096)**	**21,793**	**14,334**
Actuarial (losses) / income related to defined benefit pension plans	(33,620)	(19,785)	4,595	(10,594)
Income tax effect	7,060	4,155	(966)	2,225
Net other comprehensive (loss) / income not to be reclassified to profit and loss in subsequent periods	**(26,560)**	**(15,630)**	**3,629**	**(8,369)**
Cash flow hedge gains	-	8,357	-	-
Net other comprehensive income to be reclassified to profit and loss in subsequent periods	**-**	**8,357**	**-**	**-**
Other comprehensive (loss) / income, net of tax	**(26,560)**	**(7,273)**	**3,629**	**(8,369)**
Total comprehensive income / (loss)	**12,147**	**(145,369)**	**25,422**	**5,965**
Comprehensive income / (loss) attributable to equity holders of the parent company	**12,147**	**(145,369)**	**25,422**	**5,965**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Financial Position

Assets

CHFk	Note	September 30, 2016	December 31, 2015
		Unaudited	Unaudited
Non-current assets			
Intangible assets		2,385,140	2,521,090
Property, plant and equipment	16	890,273	952,903
Non-current portion of trade and other receivables		37,822	44,873
Non-current portion of prepaid expenses		657	847
Deferred tax assets		341	823
Total non-current assets		**3,314,233**	**3,520,536**
Current assets			
Inventories		29,170	29,915
Current portion of trade and other receivables		345,270	346,994
Current portion of prepaid expenses	16	18,603	7,893
Cash and cash equivalents		160,462	244,388
Total current assets		**553,505**	**629,190**
Total assets		**3,867,738**	**4,149,726**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Equity and liabilities

CHFk	Note	September 30, 2016	December 31, 2015
		Unaudited	Unaudited
Equity			
Common shares		45,000	45,000
Share premium		2,489,237	2,623,723
Other reserves		(776,143)	(776,143)
Valuation reserve		-	(23)
Accumulated deficit		(711,874)	(724,021)
Total equity	**11**	**1,046,220**	**1,168,536**
Non-current liabilities			
Non-current portion of loans and notes	12	1,835,055	1,831,128
Non-current portion of financial leases	12	10,997	16,331
Non-current portion of trade and other payables	16	16,162	33,496
Deferred tax liabilities		184,001	207,391
Non-current portion of provisions		138,863	135,560
Employee benefit obligations		153,050	115,369
Non-current portion of deferred income		10,684	11,690
Total non-current liabilities		**2,348,812**	**2,350,965**
Current liabilities			
Current portion of financial leases	12	6,985	6,769
Current portion of trade and other payables	16	410,181	553,655
Income tax payable		14,429	11,707
Current portion of provisions		6,839	14,445
Current portion of deferred income		33,238	42,895
Other current liabilities		1,034	754
Total current liabilities		**472,706**	**630,225**
Total liabilities		**2,821,518**	**2,981,190**
Total equity and liabilities		**3,867,738**	**4,149,726**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Cash Flow

CHFk	Note	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
		Unaudited	Unaudited	Unaudited	Unaudited
Income / (loss) before income taxes		**54,921**	**(126,356)**	**29,519**	**20,065**
Amortization		186,975	195,258	62,070	66,184
Depreciation and impairment losses		157,014	159,454	50,404	60,016
Gain on disposal of property, plant and equipment		(45)	(55)	(17)	(20)
Movement in pension		3,246	(13,390)	1,141	(15,402)
Movement in provisions		(5,684)	17,367	2,192	17,403
Change in net working capital	15	(60,709)	(54,490)	7,001	836
Cash flow from operating activities before net financial items and tax		**335,718**	**177,788**	**152,310**	**149,082**
Financial income	9	(34)	(97,908)	(34)	9
Financial expense	9	45,675	540,146	14,932	18,051
Foreign currency (gains) / losses, net		(924)	(219,735)	(569)	266
Interest received		34	89,214	34	(22)
Interest paid		(40,513)	(175,529)	(15,335)	(16,804)
Corporate income and withholding tax paid		(27,840)	(29,955)	(12,099)	(15,050)
Total cash flow from operating activities		**312,116**	**284,021**	**139,239**	**135,532**
Purchase of property, plant and equipment	16	(93,845)	(129,354)	(39,218)	(50,394)
Purchase of intangible assets		(49,084)	(47,734)	(19,329)	(21,790)
Sale of property, plant and equipment		53	55	25	20
Total cash flow used in investing activities		**(142,876)**	**(177,033)**	**(58,522)**	**(72,164)**
Incorporation of SCG	11	-	100	-	-
Issue of shares	11	-	20,000	-	-
Proceeds on the initial public offering		-	1,339,302	-	-
Fees in connection with the initial public offering		-	(48,746)	-	(110)
Proceeds from long-term loans and notes		(240)	1,827,060	-	(457)
Repayments of long-term loans and notes	12	-	(2,625,066)	-	-
Settlement of derivatives		-	(328,134)	-	-
Cost of early debt redemption and derivative settlement		-	(96,073)	-	-
Repayments of capital leases	12	(5,117)	(5,320)	(920)	(2,725)
Payment of 2nd and 3rd installment of mobile spectrum license	16	(108,308)	(104,989)	(108,308)	-
Dividend payment	11	(135,000)	-	-	-
Other financing activities		(5,331)	(5,345)	(4,136)	(4,951)
Total cash flow used in financing activities		**(253,996)**	**(27,211)**	**(113,364)**	**(8,243)**
Total cash flow		**(84,756)**	**79,777**	**(32,647)**	**55,125**
Cash and cash equivalents as of January 1		244,388	120,185	-	-
Cash and cash equivalents as of July 1		-	-	192,637	146,062
Foreign currency impact on cash	9	830	1,124	472	(101)
Cash and cash equivalents as of September 30, 2016		**160,462**	**201,086**	**160,462**	**201,086**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Changes in Equity

CHFk	COMMON SHARES	SHARE PREMIUM	OTHER RESERVES	VALUATION RESERVE	ACCUMULATED DEFICIT	**Total**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Equity as of January 1, 2015	**-**	**-**	**397,812**	**(8,380)**	**(410,834)**	**(21,402)**
Net loss for the period	-	-	-	-	(138,096)	(138,096)
Other comprehensive income / (loss)	-	-	-	8,357	(15,630)	(7,273)
Total other comprehensive income / (loss)	**-**	**-**	**-**	**8,357**	**(153,726)**	**(145,369)**
Incorporation of SCG	100	-	-	-	-	100
Effect of business restructuring	24,900	1,325,000	(1,173,955)	-	(175,945)	-
Issue of shares in initial public offering	20,000	1,339,302	-	-	-	1,359,302
Transaction costs	-	(45,063)	-	-	-	(45,063)
Share based payment	-	3,224	-	-	-	3,224
Equity as of September 30, 2015	**45,000**	**2,622,463**	**(776,143)**	**(23)**	**(740,505)**	**1,150,792**
Net income for the period	-	-	-	-	25,175	25,175
Other comprehensive loss	-	-	-	-	(8,691)	(8,691)
Total other comprehensive income	-	-	-	-	**16,484**	**16,484**
Transaction costs	-	(1)	-	-	-	(1)
Share based payment	-	1,261	-	-	-	1,261
Equity as of December 31, 2015	**45,000**	**2,623,723**	**(776,143)**	**(23)**	**(724,021)**	**1,168,536**
Equity as of January 1, 2016	**45,000**	**2,623,723**	**(776,143)**	**(23)**	**(724,021)**	**1,168,536**
Net income for the period	-	-	-	-	38,707	38,707
Other comprehensive loss		-	-	-	(26,560)	(26,560)
Total other comprehensive loss	**-**	**-**	**-**	**-**	**12,147**	**12,147**
Share based payment	-	514	-	-	-	514
Dividend payment	-	(135,000)	-	-	-	(135,000)
Other	-	-	-	23	-	23
Equity as of September 30, 2016	**45,000**	**2,489,237**	**(776,143)**	**-**	**(711,874)**	**1,046,220**

The accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Note		
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Note 1 General information

Sunrise Communications Group AG (SCG or the Company) was incorporated in Switzerland on January 13, 2015. The registered offices of the Company are located at Binzmühlestrasse 130, CH-8050 Zurich, Switzerland.

The condensed consolidated interim financial statements for the nine-month period ended September 30, 2016, comprise SCG and its subsidiaries (together referred to as the Group or Sunrise). The Group's principal operating company, Sunrise Communications AG, is the second-largest full-range telecommunications provider in Switzerland and offers mobile voice and data, landline services (retail and wholesale voice, business and integration services) and landline internet including Internet Protocol Television (IPTV) services to both residential and business customers as well as to other operators.

Sunrise has its own national backbone landline and IP network as well as its own mobile network based on GSM / EDGE, UMTS / HSDPA and LTE technologies. In connection with the services it provides, Sunrise also resells handsets manufactured by third party suppliers.

Following reorganizations on January 23, 2015, SCG became the ultimate holding company of the Group. From January 1, 2014, to January 23, 2015, Mobile Challenger Group S.à r.l. (MCG) was the ultimate shareholder of Mobile Challenger Intermediate Group S.A. (MCIG), parent to Sunrise Communications Holdings S.A. Subsequently, on February 6, 2015, SCG made an initial public offering (IPO) in Switzerland and was listed on the SIX Swiss Exchange.

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on November 8, 2016.

Note 2 Basis of preparation

The condensed consolidated interim financial statements of the Group as of and for the nine-month period ended September 30, 2016, have been prepared in compliance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except derivative financial instruments measured at fair value. The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures at the reporting date. The accounting estimates and judgments considered material to the preparation of the condensed financial interim statements are summarized in Note 3.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2015.

Except where otherwise indicated, the numbers in all tables are shown in CHF thousand and in the text in CHF million.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

Note 2

Basis of preparation

Foreign currency translation

The condensed financial interim statements are presented in Swiss francs, which is the functional currency of the parent company and each of its subsidiaries. The functional currency is the currency applied in the primary economic environment of each enterprise's operations. Transactions in currencies other than the functional currency are transactions in foreign currencies. Such transactions are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognized as net financial items in the statement of income. Cash, loans and other amounts receivable or payable in foreign currencies (monetary assets and liabilities), if any, are translated into the functional currency at the official exchange rates as quoted at the reporting date.

The following table summarizes the principal exchange rates used by the Group (shown against CHF):

CURRENCY	BALANCE SHEET		INCOME STATEMENT AND CASH FLOW	
	September 30, 2016	December 31, 2015	1.1 - 30.09.2016	1.1 - 30.09.2015
Euro	1.0918	1.0882	1.1035	1.0900
US Dollar	0.9714	1.0021	0.9934	0.9646

Note 3

Significant accounting policies

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Those estimates affect mainly provisions, goodwill impairment tests, employee benefit obligations, allowance for doubtful receivables and direct taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the condensed consolidated interim financial statements for the financial year ended December 31, 2015.

Note 4

New accounting standards

None of the amendments to existing International Financial Reporting Standards (IFRSs) and Interpretations effective as of January 1, 2016 is relevant to the Group. The amendments will not have any impact on the Group's result or financial position.

Note 5 Segment reporting

Operating segments have been determined based on management reports reviewed by the Board of Directors. The Group's organizational structure reflects the different customer groups to which the Group provides its telecommunication products and services: Residential, Business, Wholesale and a reportable Head Office segment which includes finance, IT and technology functions of the Group.

Residential provides fixed line and mobile services to residential end customers as well as sales of handsets. Through its investments in local-loop unbundling and IPTV as well as its contractual arrangements with Swiss Fibre Net AG, the joint venture of local energy providers in Switzerland, and Swisscom, Sunrise focuses on selling its products in the Swiss telecommunications market by marketing bundled offers in fixnet / internet, mobile and IPTV.

Business provides a full range of products and services, from fixed-line and mobile communications to internet and data services as well as integration services to different business areas: Small Office and Home Office, Small and Medium Enterprises and large corporate clients.

The Wholesale product portfolio covers voice, data, internet and infrastructure services such as carrier and roaming services, which are marketed to national and international telecom service providers as well as mobile virtual network operators.

Head Office activities comprise support units such as Network, IT and Operations (customer care) as well as staff functions like finance, human resources and strategy. Furthermore certain fees and sundry revenue and payments of reminder fees are allocated to this operating segment.

Performance is measured based on EBITDA as included in the internal financial reports reviewed by the Board of Directors. EBITDA is defined as operating income before depreciation and amortization, net financial result items and income tax expenses. The EBITDA earned by each segment is considered an adequate measure of the operating performance of the segments reported to the Board of Directors for the purposes of resource allocation and performance assessment. Assets and liabilities are not allocated to operating segments in the management reports reviewed by the Board of Directors, as the review focuses on changes in net working capital on a Group level.

Note 5 Activities

Segment reporting

CHFk January 1 - September 30,	RESIDENTIAL 2016	RESIDENTIAL 2015	BUSINESS 2016	BUSINESS 2015	WHOLESALE[1] 2016	WHOLESALE[1] 2015	HEAD OFFICE ACTIVITIES 2016	HEAD OFFICE ACTIVITIES 2015	TOTAL 2016	TOTAL 2015
Revenue										
External customers	988,828	1,031,412	209,768	228,146	169,977	181,700	27,139	22,379	1,395,712	1,463,637
Inter-segment revenue	-	-	-	-	31,731	37,887	-	-	31,731	37,887
Total	**988,828**	**1,031,412**	**209,768**	**228,146**	**201,708**	**219,587**	**27,139**	**22,379**	**1,427,443**	**1,501,524**
Transmission costs and costs of goods sold										
External customers	(307,014)	(302,792)	(65,180)	(73,791)	(132,040)	(151,725)	(2)	-	(504,236)	(528,308)
Inter-segment costs	(31,731)	(37,887)	-	-	-	-	-	-	(31,731)	(37,887)
Total	**(338,745)**	**(340,679)**	**(65,180)**	**(73,791)**	**(132,040)**	**(151,725)**	**(2)**	**-**	**(535,967)**	**(566,195)**
Other operating expenses	(101,040)	(103,090)	(11,455)	(16,174)	(3,481)	(2,969)	(169,454)	(189,767)	(285,430)	(312,000)
Wages, salaries and pension costs	(44,939)	(46,115)	(25,225)	(40,634)	(3,329)	(2,045)	(93,923)	(70,930)	(167,416)	(159,724)
Other income	20	93	-	-	-	-	5,433	7,758	5,453	7,851
Other expenses	(9)	-	-	-	-	-	(452)	(21,294)	(461)	(21,294)
EBITDA	**504,115**	**541,621**	**107,908**	**97,547**	**62,858**	**62,848**	**(231,259)**	**(251,854)**	**443,622**	**450,162**

[1] Including hubbing revenue of CHF 93.3 million generated in the nine-month period ending as of September 30, 2016, and CHF 106.2 million generated in the nine-month period ending as of September 30, 2015.

Note 5 Activities

Segment reporting

CHFk July 1 - September 30,	RESIDENTIAL 2016	 2015	BUSINESS 2016	 2015	WHOLESALE[1] 2016	 2015	HEAD OFFICE ACTIVITIES 2016	 2015	TOTAL 2016	 2015
Revenue										
External customers	340,579	341,302	68,570	75,635	60,206	62,228	8,875	8,223	478,230	487,388
Inter-segment revenue	-	-	-	-	10,400	13,070	-	-	10,400	13,070
Total	**340,579**	**341,302**	**68,570**	**75,635**	**70,606**	**75,298**	**8,875**	**8,223**	**488,630**	**500,458**
Transmission costs and costs of goods sold										
External customers	(106,823)	(97,898)	(19,662)	(22,875)	(45,867)	(49,582)	(1)	-	(172,353)	(170,355)
Inter-segment costs	(10,400)	(13,070)	-	-	-	-	-	-	(10,400)	(13,070)
Total	**(117,223)**	**(110,968)**	**(19,662)**	**(22,875)**	**(45,867)**	**(49,582)**	**(1)**	**-**	**(182,753)**	**(183,425)**
Other operating expenses	(31,762)	(30,627)	(4,384)	(4,586)	(1,350)	(1,016)	(54,371)	(58,942)	(91,867)	(95,171)
Wages, salaries and pension costs	(15,180)	(15,029)	(8,947)	(13,477)	(1,288)	(668)	(34,279)	(10,480)	(59,694)	(39,654)
Other income	(59)	-	(69)	-	-	-	2,155	2,063	2,027	2,063
Other expenses	(9)	-	-	-	-	-	(17)	(20,417)	(26)	(20,417)
EBITDA	**176,346**	**184,678**	**35,508**	**34,697**	**22,101**	**24,032**	**(77,638)**	**(79,553)**	**156,317**	**163,854**

[1] Including hubbing revenue of CHF 32.5 million generated in the three-month period ending as of September 30, 2016, and CHF 33.9 million generated in the three-month period ending as of September 30, 2015.

Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA)

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
EBITDA from reportable segments	**443,622**	**450,162**	**156,317**	**163,854**
Unallocated:				
- Amortization	(186,975)	(195,258)	(62,070)	(66,184)
- Depreciation	(157,014)	(159,454)	(50,404)	(60,016)
- Net financial items	(44,712)	(221,806)	(14,324)	(17,589)
Income / (loss) before income taxes	**54,921**	**(126,356)**	**29,519**	**20,065**

Note 6 Revenue

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Mobile services	932,259	965,653	324,106	324,911
Landline services	304,985	349,150	99,952	112,597
Thereof hubbing	*93,294*	*106,182*	*32,477*	*33,874*
Landline internet and TV	158,468	148,834	54,172	49,880
Total	**1,395,712**	**1,463,637**	**478,230**	**487,388**

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Sales of goods	204,514	220,497	68,667	65,184
Sales of services	1,191,198	1,243,140	409,563	422,204
Total	**1,395,712**	**1,463,637**	**478,230**	**487,388**

Mobile services include revenue from voice and data traffic, subscription and connection fees for mobile devices and interconnection traffic as well as roaming revenue from Group subscribers traveling abroad.

Landline telephony includes revenue from traffic, subscription and connection for PSTN / ISDN and Voice over Internet Protocol and other revenue from services, which primarily relate to business services.

Internet services comprise revenue from subscription fees for xDSL, related traffic charges for internet traffic and IPTV services.

Sales of goods include sales of mobile devices and distribution and sales of ICT and telecommunication products in the e-business sector as well as installation, operation and maintenance services for these products.

Note 7 Restructuring

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Restructuring expenses	(3,530)	(19,728)	(3,530)	(19,728)
Thereof employee related costs	*(3,530)*	*(17,467)*	*(3,530)*	*(17,467)*
Thereof other restructuring costs	-	*(2,261)*	-	*(2,261)*
IAS 19 curtailment effect	-	16,402	-	16,402
Net impact on statement of income	**(3,530)**	**(3,326)**	**(3,530)**	**(3,326)**

One-off restructuring costs amount to CHF 3.5 million (PY: CHF 19.7 million) and are related to the streamlining of management levels across Sunrise in September 2016. In 2015, the CHF 19.7 million were related to costs for employees affected by the 2015 release and were partially offset by the positive effect of the curtailment of the IAS 19 pension liability resulting in a gain of CHF 16.4 million.

The increase in wages, salaries and pension costs in 2016 is mainly impacted by the recording of the CHF 16.4 million gain related to the above mentioned curtailment effect, which significantly lowered the costs in 2015.

Note 8 Other income

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Other income				
Early termination fees	1,315	3,758	425	847
Sub-leases	3,534	3,321	1,153	1,097
Other	604	772	449	119
Total	**5,453**	**7,851**	**2,027**	**2,063**

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Other expenses				
Non-deductible VAT	-	(908)	-	(375)
Restructuring expenses	-	(19,728)	-	(19,728)
Reversal of provisions*	-	1,350		1,350
Provision related to managed service contract	-	(1,032)	-	(1,032)
Other	(461)	(976)	(26)	(632)
Total	**(461)**	**(21,294)**	**(26)**	**(20,417)**

* Reversal of accrual from prior periods

Note 9 Net financial items

CHFk January 1 - September 30, 2016	INTEREST	DEBT REDEMPTION AND DERIVATIVE SETTLEMENT COSTS	FAIR VALUE ADJUST-MENTS	TOTAL FINANCIAL INCOME/ (EXPENSES) BEFORE FOREIGN CURRENCY	NET FOREIGN CURRENCY GAINS / (LOSSES)	Total
Income						
Cash and cash equivalents	-	-	-	-	830	830
Other	34	-	-	34	99	133
Total	**34**	**-**	**-**	**34**	**929**	**963**
Expenses						
Financial liabilities measured at amortized cost	(38,916)	-	-	(38,916)	-	(38,916)
Other	(6,759)	-	-	(6,759)	-	(6,759)
Total	**(45,675)**	**-**	**-**	**(45,675)**	**-**	**(45,675)**
Net financial items	**(45,641)**	**-**	**-**	**(45,641)**	**929**	**(44,712)**

CHFk January 1 - September 30, 2015	INTEREST	DEBT REDEMPTION AND DERIVATIVE SETTLEMENT COSTS	FAIR VALUE ADJUST-MENTS	TOTAL FINANCIAL INCOME/ (EXPENSES) BEFORE FOREIGN CURRENCY	NET FOREIGN CURRENCY GAINS / (LOSSES)	Total
Income						
Cash and cash equivalents	4	-	-	4	1,124	1,128
Financial liabilities measured at amortized cost	-	-	-	-	218,587	218,587
Cash flow hedges and economic hedges	97,895	-	-	97,895	-	97,895
Other	35	-	-	35	721	756
Total	**97,934**	**-**	**-**	**97,934**	**220,432**	**318,366**
Expenses						
Financial liabilities measured at amortized cost	(56,629)	(81,064)	-	(137,693)	-	(137,693)
Amortization of existing debt transaction cost	-	(46,903)	-	(46,903)	-	(46,903)
Cash flow hedges and economic hedges	(104,130)	(19,849)	(178,471)	(302,450)	-	(302,450)
Embedded derivatives[1]	-	-	(38,140)	(38,140)	-	(38,140)
Other	(9,374)	(5,612)	-	(14,986)	-	(14,986)
Total	**(170,133)**	**(153,428)**	**(216,611)**	**(540,172)**	**-**	**(540,172)**
Net financial items	**(72,199)**	**(153,428)**	**(216,611)**	**(442,238)**	**220,432**	**(221,806)**

[1] Embedded derivatives represent early redemption options related to financial instruments issued by the Group

Note 9

Net financial items

CHFk July 1 - September 30, 2016	INTEREST	DEBT REDEMPTION AND DERIVATIVE SETTLEMENT COSTS	TOTAL FINANCIAL INCOME/ (EXPENSES) BEFORE FOREIGN CURRENCY	NET FOREIGN CURRENCY GAINS / (LOSSES)	Total
Income					
Cash and cash equivalents	-	-	-	472	472
Other	34	-	34	102	136
Total	**34**	**-**	**34**	**574**	**608**
Expenses					
Financial liabilities measured at amortized cost	(13,070)	-	(13,070)	-	(13,070)
Other	(1,862)	-	(1,862)	-	(1,862)
Total	**(14,932)**	**-**	**(14,932)**	**-**	**(14,932)**
Net financial items	**(14,898)**	**-**	**(14,898)**	**574**	**(14,324)**

CHFk July 1 - September 30, 2015	INTEREST	DEBT REDEMPTION AND DERIVATIVE SETTLEMENT COSTS	TOTAL FINANCIAL INCOME/ (EXPENSES) BEFORE FOREIGN CURRENCY	NET FOREIGN CURRENCY GAINS / (LOSSES)	Total
Income					
Cash and cash equivalents	1	-	1	(101)	(100)
Other	-	-	-	572	572
Total	**1**	**-**	**1**	**471**	**472**
Expenses					
Financial liabilities measured at amortized cost	(12,951)	-	(12,951)	-	(12,951)
Other	(2,587)	(2,523)	(5,110)	-	(5,110)
Total	**(15,538)**	**(2,523)**	**(18,061)**	**-**	**(18,061)**
Net financial items	**(15,537)**	**(2,523)**	**(18,060)**	**471**	**(17,589)**

Note 10 Earnings per Share

Basic Earnings per Share is calculated by dividing net profit / (loss) for the period attributable to ordinary equity holders of the parent company by the weighted number of ordinary shares outstanding during the period. SCG was only incorporated on January 13, 2015, and the capital was increased via a contribution in kind on January 23, 2015, to 25,000,000 shares. For the consistency of the calculation it was assumed that SCG had this number of shares outstanding from January 1, 2015, to February 6, 2015 (the date of the IPO).

	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Basic earnings / (loss) per share				
Net income / (loss) attributable to equity holders of SCG (CHFk)	38,707	(138,096)	21,793	14,334
Weighted average number of shares outstanding	45,000,000	42,407,407	45,000,000	45,000,000
Basic earnings per share (in CHF)	**0.86**	**(3.26)**	**0.48**	**0.32**
Diluted earnings per share				
Net income / (loss) attributable to equity holders of SCG (CHFk)	38,707	(138,096)	21,793	14,334
Weighted average number of shares outstanding	45,148,611	42,407,407	45,148,611	45,000,000
Diluted earnings per share (in CHF)	**0.86**	**(3.26)**	**0.48**	**0.32**

If the vesting conditions were met as of September 30, 2016, a maximum of 191,319 (December 31, 2015: 204,396 shares) shares would have a dilutive effect.

Note 11 Equity

CHFk	September 30, 2016	December 31, 2015
Common shares	45,000	45,000
Share premium[1]	2,489,237	2,623,723
Other reserve	(776,143)	(776,143)
Valuation reserve	-	(23)
Accumulated deficit	(711,874)	(724,021)
Total equity	**1,046,220**	**1,168,536**

[1] Share premium includes reserves which are freely available for distribution of dividends.

Note 11

Equity

Share capital

As of September 30, 2016, the total authorized and issued number of ordinary shares comprised 45,000,000 shares with a nominal value of CHF 1 each.

Ordinary shares issued and fully paid

	Number of shares	Nominal value per share (CHF)	Total amount (CHFk)
January 1, 2015	-	-	-
Issued on January 13, 2015 for incorporation	100,000	1.00	100
Issued on January 23, 2015 for capital increase via CIK[1]	24,900,000	1.00	24,900
Issued on February 6, 2015 for initial public offering	20,000,000	1.00	20,000
December 31, 2015	**45,000,000**	**1.00**	**45,000**
January 1, 2016	45,000,000	1.00	45,000
Increase / (decrease)	-	-	-
June 30, 2016	**45,000,000**	**1.00**	**45,000**

[1] Contribution in kind

On January 13, 2015, the new holding company Sunrise Communications Group AG (SCG) was incorporated with a fully paid-in share capital of CHF 0.1 million.

On January 23, 2015, SCG increased its existing share capital of CHF 0.1 million by CHF 24.9 million to CHF 25.0 million by issuing 24,900,000 registered shares with a nominal value of CHF 1 in exchange for the entire share capital of MCIG from its individual shareholders.

Subsequently SCG made an IPO in Switzerland and was listed on the SIX Swiss Exchange on February 6, 2015. A total of 20,000,000 shares were issued at CHF 68 per share with a nominal value of CHF 1 amounting to CHF 1,360.0 million in gross proceeds. Transaction costs of CHF 45.1 million directly related to the share issuance were deducted from the share premium.

Other reserve

The change in other reserve represents the difference in fair value of the contribution in kind and the book value of assets and liabilities as part of the business restructuring in 2015. Please see Note 1 for more information.

Accumulated deficit

Actuarial gains and losses, net of taxes, the results for the current period and earnings or losses carried forward are recognized in accumulated deficit.

Dividend

At the Annual General Meeting on April 15, 2016, the payment of an ordinary dividend from statutory reserves from capital contribution in the total amount of CHF 135.0 million (CHF 3 per share) in respect of the 2015 financial year was approved. The dividend payment was made on April 21, 2016.

Note 12 Borrowings

CHFk	NOMINAL VALUE AT INCEPTION	CAPITALIZED DEBT ISSUANCE COST INCLUDING DISCOUNTS AND PREMIUM[1)]	LOAN AND FINANCE LEASE PROCEEDS/ (REPAYMENTS), NET	September 30, 2016	December 31, 2015
Floating rate					
Term loan B - CHF [2]	1,360,000	(19,064)	-	1,340,936	1,337,504
Fixed rate					
Senior secured notes - CHF [3]	500,000	(5,881)	-	494,119	493,624
Total loans and notes	**1,860,000**	**(24,945)**	**-**	**1,835,055**	**1,831,128**
Other					
Debt relating to finance leases	-	-	(5,117)	17,982	23,100
Total borrowings				**1,853,037**	**1,854,228**
Thereof current				6,985	6,769
Thereof non-current				1,846,052	1,847,459

[1] At issuance of the borrowings.

[2] Issued February 13, 2015 (CHF 1,000.0 million) and February 18, 2015 (CHF 360.0 million).

[3] Issued February 18, 2015.

The Group’s financial indebtedness is governed by financial covenants specified in the senior facilities agreement dated February 9, 2015. The main covenant is the leverage ratio. The Group performs covenant testing as of each half year date within the financial year of the Group. The last covenant testing, performed as of September 30, 2016, showed that the Group was in compliance with the applicable financial covenants.

Liabilities relating to finance leases are related primarily to lease agreements on fiber networks.

Note 13 Derivatives

On February 13, 2015 the Group settled all existing cross currency principal and interest rate swap agreements partially and terminated all remaining portions on February 18, 2015. At the balance sheet date of this report, the Group does not hold any derivative financial instrument contracts.

The fair values of existing derivative financial instruments were settled through the statement of income:

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
The change in the fair value of derivatives in the period can be summarized as:				
Cash flow hedges – movement in hedge reserve	-	(135,947)	-	-
Economic hedges	-	(42,524)	-	-
Total impact of hedging derivatives in the statement of income (Note 9)	**-**	**(178,471)**	**-**	**-**
Impact of embedded derivatives in the statement of income (Note 8)	-	(38,140)	-	-
Total impact of derivatives in the statement of income (Note 9)	**-**	**(216,611)**	**-**	**-**

Note 14 Fair value estimation

The fair value of current financial assets and liabilities at amortized cost are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Techniques that use inputs with a significant effect on the recorded fair value and that are not based on observable market data

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between the different hierarchy levels in the nine-month period ending September 30, 2016 and the nine-month period ending September 30, 2015.

Note 14

Fair value estimation

The table below shows a comparison by class of the carrying amounts and fair values of the Group's financial instruments carried in the condensed consolidated interim financial statements:

CHFk September 30, 2016	CARRYING AMOUNT (BY MEASUREMENT BASIS) AMORTIZED COST	 Total	COMPARISON FAIR VALUE [1]
Financial assets			
Cash	160,462	160,462	
Trade and other receivables	381,883	381,883	
Financial liabilities			
Trade payables and other payables	(411,890)	(411,890)	
Loans and notes	(1,835,055)	(1,835,055)	(1,864,350)
Financial leases	(17,982)	(17,982)	
Other current liabilities	(1,034)	(1,034)	

CHFk December 31, 2015	CARRYING AMOUNT (BY MEASUREMENT BASIS) AMORTIZED COST	 Total	COMPARISON FAIR VALUE [1]
Financial assets			
Cash	244'388	244'388	
Trade and other receivables	389'159	389'159	
Financial liabilities			
Trade payables and other payables	(575'187)	(575'187)	
Loans and notes	(1'831'128)	(1'831'128)	(1'819'350)
Financial leases	(23'100)	(23'100)	
Other current liabilities	(754)	(754)	

[1] The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities (Level 1).

Note 15 Change in net working capital

CHFk	1.1 - 30.09.2016	1.1 - 30.09.2015	Q3 2016	Q3 2015
Change in inventories	745	1,198	352	6,030
Change in trade and other receivables	7,275	(5,915)	(46,407)	(33,347)
Change in trade and other payables	(47,041)	(29,030)	45,092	21,749
Change in other items, net	(21,688)	(20,743)	7,964	6,404
Total	**(60,709)**	**(54,490)**	**7,001**	**836**

Net working capital includes current assets and liabilities as well as non-current prepaid expenses, Freedom receivables and deferred income. Changes in trade and other payables related to the mobile license and non-cash capital expenditures related to IRUs are excluded.

In January 2015, Sunrise entered into a factoring agreement with UBS under which Sunrise may sell residential customer receivables from device plans to UBS. As of September 30, 2016, CHF 40.3 million in receivables are derecognized (December 31, 2015: CHF 41.7 million). The net cash impact for the first nine months in 2016 related to factoring of handset receivables was a net cash outflow of CHF 1 million.

The negative change in net working capital of CHF 60.7 million during the nine-month period ending September 30, 2016 is primarily attributable to changes in trade and other payables driven by different spending patterns and timing of payments as well as payments of prepaid expenses and the annual bonus amount.

Note 16 Other balance sheet items

Property, plant and equipment

During the nine-month period ended September 30, 2016 the Group acquired assets of CHF 94.7 million (September 30, 2015: CHF 130.4 million) thereof cash additions of CHF 93.8 million (September 30, 2015: CHF 129.4 million).

Current portion of prepaid expenses

The balance mainly consists of prepaid rent expenses and prepaid IT related payments for licenses and services. The prepayments are normally made at the beginning of the year and amortized of the contractual duration. Contracts with duration of more than 1 year are split into a current- and non-current portion.

Non-current portion of trade and other payables

The decrease in this condensed financial interim statement item is mainly due to the reclassification of the 2nd installment (due in January 2017) related to the investment into broadband connectivity services from Swisscom in the total amount of CHF 14.8 million from non-current to current portion of trade and other payables. The 3rd installment which is due in January 2018 is still shown as non-current portion of trade and other payables as of September 30, 2016.

Current portion of trade and other payables

On July 20, 2016 Sunrise paid the 3rd and final installment plus accrued interest in the amount of CHF 108.3 million of the mobile license spectrum awarded by the Federal Communications Commission (ComCom).

Note 17 Contractual commitments

The total contractual and purchase commitments as of September 30, 2016 amounted to CHF 87.2 million (December 31, 2015: CHF 118.9 million) consisting of future investments in property, plant and equipment and intangible assets.

Note 18 Financial risk management

The Group operates a centralized risk management system that distinguishes between strategic and operating risks. The Group's overall risk management program focuses on the unpredictability of financial market risks and seeks to minimize potential adverse effects on the Group's financial performance. All identified risks are quantified (according to their realization probability and impact) and noted on a risk schedule. This risk schedule is subject to an annual detailed review and discussion process by the Board of Directors. The Group is exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. With the refinancing transaction at the beginning of the year, the Group released all held derivative financial instruments, such as cross currency interest rate swaps and interest rate swaps. As the newly held debt instruments in CHF are no longer exposed to any currency risks, there is no need for derivative financial instruments to hedge those risk exposures.

The Group's financial risk management is governed by policies approved by key management personnel. These policies provide guidelines for overall risk management as well as specific areas such as interest rate risk.

Note 19 Events after the balance sheet date

Change in mobile termination rates

Sunrise, Salt and Swisscom have negotiated lower mobile termination rates (MTR) with each other. These new rates will be effective as of January 1, 2017 (Sunrise MTR until December 31, 2016: Rp 7.35 / min, for 2017: Rp. 4.30 / min, 2018: Rp. 3.90. / min, 2019: Rp. 3.50 /min).

Reductions in mobile termination rates have no direct impact on customer tariffs, since both revenue and costs of mobile operators are reduced. Therefore, the effect of the decrease in mobile termination rates is largely offset on gross profit level. On revenue level, the reduced mobile termination rates lead to an isolated effect of -2% to -3%. The new mobile termination rates will be taken into account when providing the 2017 financial guidance.

Report on the review of condensed consolidated interim financial statements

as of 30 September 2016 of

Sunrise Communications Group AG, Zürich

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To the Board of Directors of

Sunrise Communications Group AG, Zurich

Zurich, 8 November 2016

Report on the review of condensed consolidated interim financial statements

Introduction

We have reviewed the condensed consolidated interim financial statements (consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes; pages 15 to 37) of Sunrise Communications Group AG for the three-month period from 1 July 2016 to 30 September 2016 and the nine-month period from 1 January 2016 to 30 September 2016. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

Ernst & Young Ltd

Willy Hofstetter Licensed audit expert (Auditor in charge)	André Schaub Licensed audit expert